



OFFICE OF ILLINOIS STATE TREASURER

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Budget Impasse Continues to Impact Investment Earnings *Illinois' Portfolio Reveals Millions in Missed Opportunity for Third Quarter*

CHICAGO – The state of Illinois could have earned \$5.5 million more in investment income in the third quarter of 2016 as a result of the year-long budget impasse, Illinois Treasurer Michael Frerichs said today.

“Our goal is to maximize every investment opportunity to get the best return for the state, but planning is difficult without a full-year budget in place,” Frerichs said. “When the Governor and General Assembly reconvene next month, I am hopeful they will find compromise and focus on passing a full-year, balanced budget to minimize further damage and get Illinois back on track.”

Since January 1, 2016, the state of Illinois has earned \$47 million, but could have earned \$21 million more in investment income. Threats of unplanned fund sweeps and the need to pay court-ordered bills required the treasurer’s office to make short-term investments that prioritized cash availability rather than longer-term, higher-yielding investment opportunities.

A six-month budget was passed on June 30, 2016. With no budget in place for a full-year, the treasurer’s office remains faced with a number of cash management and investment challenges. The treasurer’s office is responsible for managing the state’s investment portfolio, ensuring the liquidity, safety and diversification of investments, and producing earnings at or above industry standards.

Frerichs’ office has increased the 30-day rate of return this year compared to last.

During the budget impasse, the state increased its position in short-term, lower-yielding assets, such as overnight investments and money market funds, to ensure it had cash available in case of a multi-billion dollar fund sweep or another court-ordered increase in billings.

The analysis compares the state’s overall asset allocation and term maturities each month and compares to March 2015, pre-budget impasse.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately \$25 billion. The portfolio includes \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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